

Message Text

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ACTION OPIC-06

INFO OCT-01 AF-10 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02
SP-02 LAB-04 SIL-01 OMB-01 /059 W
-----049615 110301Z /75
R 100608Z MAR 78
FM AMEMBASSY LUSAKA
TO SECSTATE WASHDC 7810

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DEPARTMENT PASS OPIC

E.O. 11652: N/A
TAGS: EINV EFIN OPIC ZA
SUBJ: PHELPS DODGE TO INVOKE CONVERTIBILITY COVERAGE

1. EMBASSY INFORMED BY JULIO BAQUE, VICE PRESIDENT OF PHELPS DODGE, THAT COMPANY WILL INVOKE OPIC CONVERTIBILITY COVERAGE ON THEIR ZAMBIAN JOINT VENTURE WIRE COMPANY, ZAMEFA. PHELPS DODGE HAS HAD ONGOING PROBLEM OF REMITTING PROFITS FOR OVER A YEAR. ACCORDING TO BAQUE IT WOULD LOSE ITS COVERAGE IF IT DID NOT INVOKE ITS RIGHTS WITHIN A FEW MONTHS. AMOUNT INVOLVED IS THREE TO FOUR HUNDRED THOUSAND DOLLARS. BAQUE HAS INFORMED BANK OF ZAMBIA AND OTHER GRZ OFFICIALS OF THEIR DECISION TO INVOKE OPIC INSURANCE.

2. BAQUE INDICATED THAT BANK AND MINISTRY OF FINANCE OFFICIALS SEEMED ALMOST "RELIEVED" THAT PHELPS DODGE HAD FINALLY DECIDED TO TAKE THE ACTION. WHILE PHELPS DODGE HAD NOT "THREATENED" TAKING THIS STEP IN PREVIOUS DISCUSSIONS WITH GRZ, THEY HAD MADE IT CLEAR THEY WERE UNDER TIME PRESSURE TO DO SO.

3. ACCORDING TO BAQUE, PHELPS DODGE HAD DISCUSSED THEIR
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INTENTIONS WITH OPIC. PHELPS DODGE IS TO MAKE KWACHA PAYMENT TO EMBASSY ACCOUNT AND OPIC WILL REIMBURSE COMPANY IN DOLLARS IN U.S. AS OPIC AND DEPARTMENT ARE AWARE, THIS PROCEDURE INVOLVES GRZ EXCHANGE CONTROL REGULATIONS SIMILAR TO THOSE IN THE OPIC/TAW CASE. AS EMBASSY UNDERSTANDS REGULATIONS, THE PROCEDURE SUGGESTED IS LEGAL ONLY WITH AUTHORIZATION OF GRZ.

4. EMBASSY UNAWARE OF ANY SERIOUS TECHNICAL IMPLICATIONS OF INVOKING OPIC COVERAGE IN ZAMBIA. WE UNDERSTAND THAT THIS ACTION WOULD NOT HAVE ANY EFFECT ON OUR AID PROGRAM, FOR EXAMPLE, AS THE CASE INVOLVES CONVERTIIBILITY RATHER THAN EXPROPRIATION COVERAGE. NOR DO WE EXPECT ANY SERIOUS PROBLEM WITH THE GRZ AS ZAMEFA IS ONE OF THE FEW PROFITABLE PARASTATALS IN ZAMBIA. WE ARE, HOWEVER, CONCERNED AS TO THE EFFECT OF THE ACTION ON ZAMBIA'S IMAGE IN THE FINANCIAL COMMUNITY AND ON OPIC'S ATTITUDE TOWARD ZAMBIA AS WELL. OPIC HAS BEEN ASKED TO PROVIDE COVER FOR PART OF THE TAILINGS LEACH PLANT AT CHINGOLA, AN EXTREMELY VIABLE PROJECT IN OUR OPINION. WILL THIS ACTION AFFECT AN OPIC DECISION ON THIS PROJECT?

5. EMBASSY WOULD APPRECIATE DEPARTMENT AND OPIC COMMENTS ON PARAS 3 AND 4 ABOVE.

LOW

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: JOINT VENTURES, CONVERTIBLE FOREIGN EXCHANGE
Control Number: n/a
Copy: SINGLE
Draft Date: 10 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 20 Mar 2014
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ISecure: 1
Legacy Key: link1978/newtext/t19780383/aaaacs fj.tel
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Review Release Date: n/a
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